

DEPARTMENT OF TAXATION

2016 Fiscal Impact Statement

1. **Patron** David E. Yancey

3. **Committee** House Finance

4. **Title** Income Tax; Low-Income Persons and the
Neighborhood Assistance Tax Credit

2. **Bill Number** HB 1252

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would modify the definition of “low-income person” for the purposes of the Neighborhood Assistance Act Tax Credit by reducing the maximum amount of family annual household income that a person can have to be considered a “low-income person” from 300 percent of the current poverty guidelines to 180 percent.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. No Fiscal Impact. (See Line 8.)

8. Fiscal implications:

Administrative Costs

The Department of Taxation (“the Department”), the Department of Education (“DOE”), and the Department of Social Services (“DSS”) consider implementation of this bill as routine, and do not require additional funding.

Revenue Impact

This bill would have no impact on General Fund revenue. As a result of this bill, some neighborhood organizations may no longer qualify to take part in the Neighborhood Assistance Act program. However, most neighborhood organizations would continue to qualify. Based on the organizations approved by DOE and DSS for Fiscal Year 2016, 96 percent of neighborhood organizations would continue to qualify for the program under this legislation. Under current law, the total amount of tax credits that may be granted to neighborhood organizations for each fiscal year is subject to an annual fiscal year cap. Since the Neighborhood Assistance Act Tax Credit is currently oversubscribed, this bill would have no impact on General Fund revenue.

9. Specific agency or political subdivisions affected:

Department of Education
Department of Social Services
Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Virginia Neighborhood Assistance Act Tax Credit

The Virginia Neighborhood Assistance Act provides an income tax credit to business firms and individuals that donate to neighborhood organizations for approved programs that benefit impoverished people. Under this Act, a neighborhood organization is allocated funding through the Neighborhood Assistance Act Program. The Department of Social Services and the Department of Education are responsible for approving programs proposed by neighborhood organizations and allocating Neighborhood Assistance Act Tax Credits to neighborhood organizations with approved programs. A business firm or individual that makes a donation to a neighborhood organization for an approved program is then eligible to receive an income tax credit from that neighborhood organization.

The amount of the credit for a business firm or individual who donates professional services is equal to 65 percent of the value of the money, property, professional services, or contracting services donated by such taxpayer to a neighborhood organization for an approved program. No credit less than \$400 may be granted to a business firm or individual who provides professional services for any donation. Therefore, a business firm or individual who provides professional services must make a donation with a value of at least \$616 to meet the minimum credit threshold, and receive an allocation of credits.

The amount of the credit for an individual who makes a monetary donation or marketable securities donation to a neighborhood organization for an approved program is equal to 65 percent of the value of such donation. To receive an allocation of credits, an individual is required to make a donation of at least \$500. For purposes of determining the amount of credits allocated to an individual, the value of the individual's donation is limited to the lesser of the actual value of the donation or \$125,000. The \$125,000 cap on the value of donations caps the credit at \$81,250 per taxpayer.

Under current law, the total amount of credits that may be granted to such neighborhood organizations for each fiscal year is subject to an annual cap in the following amounts:

	FY 2014	FY 2015	FY 2016 (and after)
Education Proposals	\$8 million	\$8.5 million	\$9 million
Other Proposals	\$7 million	\$7.5 million	\$8 million
TOTAL	\$15 million	\$16 million	\$17 million

Current law requires, among other things, that:

- At least 50 percent of the persons served by the neighborhood organization and each of its affiliates be low-income persons or eligible students with disabilities and
- At least 50 percent of the revenue of the neighborhood organization and each of its affiliates be used to provide services to low-income persons or eligible students with disabilities. For proposals other than education proposals, at least 50% of the total expenditures of the neighborhood organization and each of its affiliates must be used for low-income persons or eligible students with disabilities.

In addition, a neighborhood organization and each of its affiliates must meet the definition of a "neighborhood organization." A "neighborhood organization" is defined to include, among other things, any local, regional or statewide organization whose primary function is providing neighborhood assistance and meets certain other requirements.

"Neighborhood assistance" is defined as providing one or more of the following services:

- "Community services" means any type of counseling and advice, emergency assistance, medical care, provision of basic necessities, or services designed to minimize the effects of poverty, furnished primarily to low-income persons.
- "Education" means any type of scholastic instruction or scholastic assistance to a low-income person or an eligible student with a disability.
- "Housing assistance" means furnishing financial assistance, labor, material, or technical advice to aid the physical improvement of the homes of low-income persons.
- "Job training" means any type of instruction to an individual who is a low-income person that enables him to acquire vocational skills so that he can become employable or able to seek a higher grade of employment.

A "low-income person" is defined as an individual whose family's annual household income is not in excess of 300 percent of the current poverty guidelines.

The chart below shows the federal poverty guidelines for 2015.

Household Size	100%	150%	200%	250%	300%	400%
1	\$11,770	\$17,655	\$23,540	\$29,425	\$35,310	\$47,080
2	\$15,930	\$23,895	\$31,860	\$39,825	47,790	63,720
3	\$20,090	\$30,135	\$40,180	\$50,225	60,270	80,360
4	\$24,250	\$36,375	\$48,500	\$60,625	72,750	97,000
5	\$28,410	\$42,615	\$56,820	\$71,025	85,230	113,640
6	\$32,570	\$48,855	\$65,140	\$81,425	97,710	130,280
7	\$36,730	\$55,095	\$73,460	\$91,825	110,190	146,920
8	\$40,890	\$61,335	\$81,780	\$102,225	122,670	163,560

Proposed Legislation

This bill would modify the definition of “low-income person” for the purposes of the Neighborhood Assistance Act Tax Credit by reducing the maximum amount of family annual household income that a person can have to be considered a “low-income person” from 300 percent of the current poverty guidelines to 180 percent.

The effective date of this bill is not specified.

Similar Bills

House Bill 742 would permanently extend and expand a provision of the Neighborhood Assistance Act that provides a waiver for certain requirements imposed on neighborhood organizations.

House Bill 917 would reduce the amount of the tax credit from 65 percent of the value of donations to neighborhood organizations to 60 percent for Taxable Year 2017; 55 percent for Taxable Year 2018; and 50 percent for Taxable Year 2019 and taxable years thereafter.

House Bill 1014 and **Senate Bill 422** would increase the annual fiscal year cap for Neighborhood Assistance Act Tax Credits to \$22 million, with \$11 million allocated to education proposals and \$11 million allocated to other proposals and would eliminate the requirement that at least 10 percent of the available amount of tax credits each year be allocated to neighborhood organizations that did not receive allocations in the preceding year.

House Bill 1390 would eliminate a requirement in the Neighborhood Assistance Act that 10 percent of the available amount of Neighborhood Assistance Tax Credits each year be reserved for new organizations participating in the program and would make certain other changes to how tax credit allocations are made by the Department of Education and the Department of Social Services.

cc : Secretary of Finance

